

Changes in Sponsors' Administrative Reimbursements and Outreach

Many observers expected that tiering, by reducing the meal reimbursements available to Tier 2 homes, would make such homes less inclined to participate in the CACFP. This could have two implications for sponsors. First, a reduction in the number of CACFP homes would translate into a reduction in revenue from administrative cost reimbursements. Second, sponsors might have to undertake more or different types of recruiting even to maintain the same number of homes.

The number of CACFP homes has in fact fallen nationwide since 1997, and analysis indicates that the decline can be attributed to tiering (Hamilton *et al.*, E-FAN-02-002). National statistics show that the average sponsor served 152 homes in fiscal year 1999, down from 159 in 1997. Based on the national rate schedule for fiscal year 1999, a sponsor with 152 homes would receive 4 percent less in administrative reimbursements than a sponsor with 159 homes.

The discussion below considers the consequences of this pattern for sponsors, examining the extent to which they report reductions in CACFP administrative reimbursements and the extent to which they have modified their recruiting strategies. We find that a large proportion of sponsors do report a loss in CACFP revenue due to fewer participating homes, that most have responded by intensifying their recruitment efforts, and that relatively few have responded by shifting more emphasis to non-CACFP activities.

Proportion of Revenue from CACFP

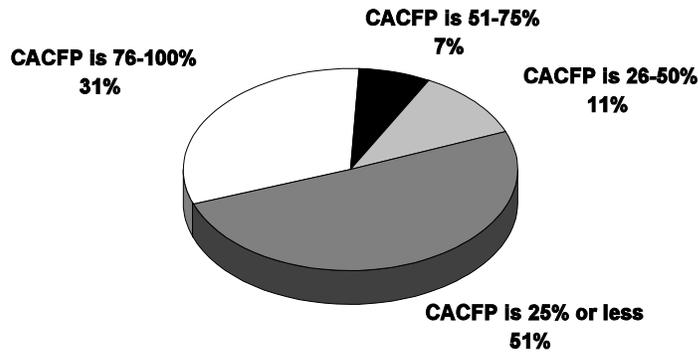
CACFP is not the only activity that most sponsors carry out, nor is it their only source of revenue. The survey asked sponsors how much of their organization's total revenue consists of CACFP administrative reimbursements, which provided a rough measure of the importance of the CACFP in the organization's overall operations.¹³

The sponsors fell into two main groups. About half said they derive a relatively small fraction (one-fourth or less) of their operating revenue from CACFP, as shown in Exhibit 13. For these sponsors, CACFP was presumably a secondary activity in their organizational mission. In contrast, about a third of all sponsors reported that CACFP accounts for over three-fourths of their organization's revenue, indicating that CACFP was their sole or primary mission. Relatively few sponsors fell in the middle, with CACFP contributing between 25 and 75 percent of their revenue.

The sponsors with large numbers of homes tend to derive more of their revenue from CACFP administrative reimbursements than the smaller sponsors. About half of the sponsors with more than 200 homes reported that CACFP reimbursements made up more than three-fourths of their

¹³ The survey did not ask about sponsors' other activities. The 1995 study found that a substantial proportion (45 percent) of the sponsors of family child care homes also sponsor other care facilities participating in the CACFP, such as child care centers or Head Start centers (Glantz *et al.*, 1997).

Exhibit 13
Shares of Sponsoring Organizations by the Proportion of Organizational Revenue From CACFP Administrative Reimbursements



revenue, significantly more than the proportion of medium or small sponsors (Exhibit 14). In fact, only 12 percent of the sponsors with fewer than 30 homes appear to have CACFP as their sole or primary mission.

Compared with the 1995 results, this distribution indicates some shift in revenue sources away from the CACFP. In 1995, 30 percent of family child care home sponsors said they derived one-fourth or less of their revenue from CACFP administrative reimbursements, a significantly smaller proportion than the 51 percent found in this study. This shift is consistent with the hypothesis that CACFP would reduce sponsors' CACFP reimbursements, but is not conclusive evidence because other factors—including growth in the non-CACFP part of sponsors' operations—could lead to this result.

Exhibit 14
Proportion of Sponsors' Organizational Revenue from CACFP Administrative Reimbursements

	Percent of Sponsors Reporting that CACFP is:				Un-weighted sample
	1-25% of revenue	26-50% of revenue	51-75% of revenue	76-100% of revenue	
Sponsoring Organization					
Private social service agency, nonprofit community agency or charitable organization	54.6% (5.5)	9.6% (2.7)	3.9% (1.3)	31.9% (4.9)	186
Public social service agency	67.7 (14.6)	7.6 (7.3)	0.0 (0.0)	24.8 (14.3)	20
Military base	20.2 (9.8)	31.9 (17.8)	30.8 (14.4)	17.1 (10.1)	14
Other (School district, college or university, Church/religious organization, etc.)	75.1 (12.0)	5.7 (5.7)	11.9 (10.0)	7.3 (5.4)	20
Percent of Providers Classified as Tier 1					
Less than 67%	62.7 (6.5)	7.6 (2.4)	6.4 (2.4)	23.4 (5.1)	107
67 to 99%	45.1 (7.6)	10.5 (4.5)	5.5 (2.7)	38.9 (7.7)	100
100%	51.3 (10.8)	17.2 (9.8)	12.2 (7.0)	19.3 (7.3)	36
Number of Homes Sponsored					
Fewer than 30	59.7 (11.9)	12.3 (8.6)	15.9 (7.4)	12.2 (8.0)	26
30 to 200	57.5 (6.8)	10.7 (4.0)	0.3 (0.3)	31.6 (6.8)	106
More than 200	27.5 (4.4)	10.2 (3.0)	11.4 (3.5)	50.8 (5.6)	118

Standard error in parentheses.

Change in CACFP Administrative Reimbursements since January 1997

Half of the sponsors in the survey said that CACFP administrative cost reimbursements accounted for a smaller proportion of their organizational revenue at the time of the survey in 1999 than in January 1997, because they were sponsoring fewer homes (Exhibit 15). A few sponsors (7 percent) reported that their CACFP share declined because revenues from other sources increased. Only 17 percent of all sponsors indicated that their CACFP reimbursements accounted for a greater proportion of their organization's revenue in 1999 than in 1997.

Sponsors with at least one-third Tier 2 homes in 1999 were significantly more likely than other sponsors to report that their CACFP reimbursements declined as a proportion of total revenue (Exhibit 16, the group in the table that is shown as having less the 67 percent Tier 1 homes). This is consistent with the finding that most of the recent decline in the number of participating CACFP homes has come among Tier 2 homes (Hamilton *et al.*, E-FAN-02-002).

In addition, sponsors with fewer than 30 homes were significantly more likely than larger sponsors to report a declining CACFP share of revenue ($p < 0.10$). Note that the number of homes sponsored is measured as of the time of the survey, so some of these sponsors may have had more than 30 homes in January 1997.

A further perspective on the change in number of homes sponsored comes from the data used to draw the sample of providers. Each sponsor was asked to supply a list of all of the homes under their sponsorship in January 1997 and January 1998. Comparing the lists at the two dates provides a measure of the percentage of homes that each sponsor lost and the percentage of new homes that joined each sponsor during that year, which was the first year of the 2-year period referenced in the

Exhibit 15
Change in Percent Revenue from CACFP, 1997-1999

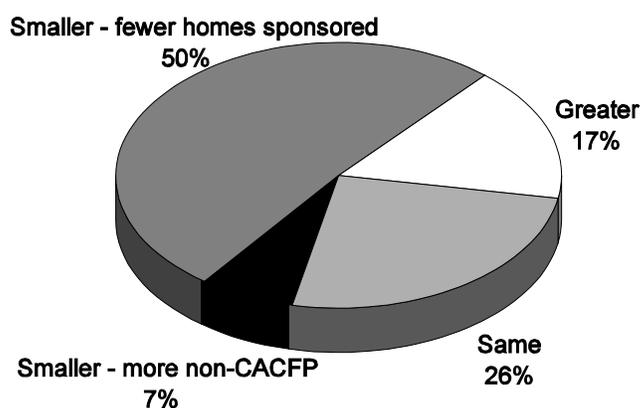


Exhibit 16
Change in CACFP Administrative Cost Reimbursements as a Percentage of Organization's Total Revenue Compared with January 1997

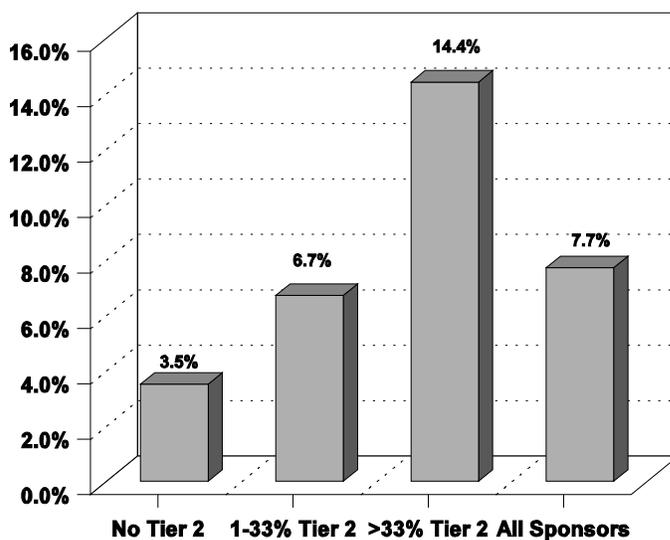
	Percent of Sponsors Saying that Current CACFP Proportion of Revenue, Relative to 1997, is:			Un-weighted Sample
	Greater	Same	Smaller	
Sponsoring Organization				
Private social service agency, nonprofit community agency or charitable organization	15.5% (3.0)	26.7% (5.1)	57.8% (5.5)	185
Public social service agency	32.1 (15.9)	19.4 (9.5)	48.5 (14.9)	18
Military base	10.4 (7.4)	8.9 (6.5)	80.7 (9.9)	14
Other (School district, college or university, Church/religious organization, etc.)	19.6 (11.1)	36.4 (14.5)	44.1 (15.5)	20
Percent of Providers Classified as Tier 1				
Less than 67%	8.8 (2.5)	17.3 (4.2)	73.9 (5.1)	106
67 to 99%	15.2 (3.8)	31.7 (7.1)	53.1 (7.2)	101
100%	30.3 (9.0)	26.5 (8.8)	43.2 (11.0)	36
Number of Homes Sponsored				
Fewer than 30	6.3 (4.2)	20.1 (10.0)	73.6 (10.6)	25
30 to 200	20.2 (4.7)	25.7 (5.2)	54.1 (6.2)	106
More than 200	19.5 (4.1)	27.7 (5.9)	52.8 (5.7)	119

Standard error in parentheses.

sponsor survey question. The median sponsor organization experienced a net loss of 8 percent of its CACFP homes during that year. This is roughly consistent with national administrative data, which show a 6-percent drop in the number of homes per sponsor between the second quarter of fiscal year 1997 and the second quarter of fiscal year 1998. About 32 percent of the median sponsor's homes in January 1997 were no longer enrolled in January 1998, while the median enrollment rate for new homes was 25 percent.¹⁴

Sponsors with a relatively high proportion of Tier 2 homes saw the largest declines, consistent with the responses to the survey questions (see Exhibit 17). The median sponsor with at least one-third Tier 2 homes lost 14 percent of its homes, on average, between January 1997 and January 1998. In contrast, the median sponsor with no Tier 2 homes lost 4 percent of its homes.¹⁵

Exhibit 17
Median Percent Loss of Sponsored Homes, January 1997 - January 1998
By Percent of Sponsor's Homes That Are Tier 2



¹⁴ Because the reported figures are medians, the net loss is not exactly equal to the difference between the exit rate and the new enrollment rate.

¹⁵ The number of Tier 1 and Tier 2 homes reported in the survey is based on January 1999, 1 year later than the period covered in these turnover statistics. If most shrinkage occurred among Tier 2 homes, as the data indicate, some sponsors who had more than one-third Tier 2 homes in 1997-98 may not have been in that category by 1999.

Changes in Recruitment of New Homes

The lower reimbursement levels for Tier 2 homes mean that such homes have a smaller incentive than Tier 1 homes to participate in the CACFP. Given this fact, and given the nationwide decline in the number of participating homes, one might expect sponsors to increase or to modify their recruiting practices. The survey indicates that changes in recruitment strategy have indeed been common.

Asked whether the focus of their operations had changed since 1997, most sponsors (58 percent) answered in the affirmative. The exceptions to the pattern were the small sponsors (fewer than 30 homes) and those with no Tier 2 homes, as shown in Exhibit 18. These two groups were significantly less likely than others to report a change in focus.¹⁶

Most of those sponsors reporting a change in focus said they had stepped up their efforts to recruit child care homes. This was not the sponsors' only possible response to the decline in homes participating in the CACFP, as sponsors might focus their efforts on non-CACFP aspects of their mission and not attempt to maintain their previous number of homes. Few sponsors appear to have taken any approach other than intensified recruiting, however. When asked what changes had occurred in the focus of their operations, only 12 percent of the sponsors reported a change that did not include stepping up recruitment. Many of these reported changes actually amounted to increased effort on other CACFP tasks, such as training and paperwork. Nonetheless, 8 percent did report branching out into new activities related to child care, the most common of which was to develop some form of child care networking program or resource and referral service. Only 1 percent said they had begun to provide some kind of services not directly related to the provision of child care.

The sponsors who increased their recruiting effort cited several reasons for doing so. Over half of the revised recruitment strategies (58 percent) were said to be responding to the increased difficulty of bringing new homes into the program. The second most common factor, mentioned by 41 percent of sponsors, was the need to retain existing providers and thereby reduce turnover. Over a third of the sponsors specifically wanted to recruit more Tier 1 homes. Finally, nearly a third of the sponsors indicated that they were responding to increased competition from other sponsors for the same homes. Larger sponsors and those with a substantial share of Tier 2 homes were significantly more likely than others to cite each of these reasons except the need to recruit more Tier 1 homes (Exhibit 19).

Sponsors took several different tacks in revising their recruitment strategy. About two-thirds made some change in their recruitment techniques, such as beginning to use newspaper advertisements, and about a quarter changed their recruiting staff. Over one-third tried to make themselves more attractive to potentially participating homes by offering new services or assistance with obtaining licenses. About a quarter shifted their recruitment focus towards low-income neighborhoods in order

¹⁶ The contrast between sponsors with 100-percent Tier 1 homes and sponsors with 67-99 percent Tier 1 homes is significant only at the 0.10 level.

Exhibit 18
Change in Focus of Operations Since January 1997

	Percent of Sponsors Reporting:		Unweighted Sample
	Change	No	
Sponsoring Organization			
Private social service agency, nonprofit community agency or charitable organization	62.3% (6.2)	37.7% (6.2)	187
Public social service agency	70.9 (13.5)	29.1 (13.5)	21
Military base	33.7 (14.1)	66.3 (14.1)	16
Other (School district, college or university, Church/religious organization, etc.)	40.3 (14.0)	59.7 (14.0)	20
Percent of Providers Classified as Tier 1			
Less than 67%	68.6 (8.5)	31.4 (8.5)	109
67 to 99%	63.0 (7.3)	37.0 (7.3)	109
100%	42.3 (9.7)	57.7 (9.7)	39
Number of Homes Sponsored			
Fewer than 30	21.0 (8.2)	79.0 (8.2)	28
30 to 200	69.5 (5.9)	30.5 (5.9)	112
More than 200	77.6 (5.7)	22.4 (5.7)	124

Standard error in parentheses.

Exhibit 19
Why Sponsors Made Changes in Recruiting New Homes Since January 1997 by Sponsor Characteristics

	Percent of Sponsors Citing Reason:				Un-weighted Sample ^a
	Difficulty in Recruiting New Homes	Recruit More Tier 1 Homes	Reduce Turnover in Sponsored Homes	Increased Competition from Other Sponsors	
Sponsoring Organization					
Private social service agency, nonprofit community agency or charitable organization	63.0% (6.7)	40.6% (6.6)	51.6% (6.7)	34.0% (5.7)	108
Public social service agency	62.8 (21.3)	75.8 (17.6)	53.6 (20.4)	31.5 (17.5)	10
Military base	73.3 (22.6)	21.2 (19.2)	40.7 (23.0)	0.0 (0.0)	4
Other (School district, college or university, Church/religious organization, etc.)	55.5 (20.6)	16.0 (14.8)	46.1 (20.8)	20.6 (18.0)	5
Percent of Providers Classified as Tier 1					
Less than 67%	86.6 (4.2)	36.3 (6.9)	56.4 (7.9)	51.1 (7.7)	62
67 to 99%	42.7 (10.1)	40.1 (10.0)	46.8 (10.5)	35.1 (11.2)	53
100%	56.5 (16.1)	47.8 (16.1)	27.7 (11.9)	14.1 (10.6)	12
Number of Homes Sponsored					
Fewer than 30	67.2 (23.3)	47.8 (23.5)	39.4 (21.1)	0.0 (0.0)	6
30 to 200	52.0 (10.2)	34.0 (8.5)	41.4 (9.3)	29.6 (10.8)	51
More than 200	67.7 (6.9)	47.9 (6.9)	58.0 (7.0)	61.2 (6.6)	70

Standard error in parentheses.

Note: Because sponsors may give more than one reason, row percentages sum to more than 100%.

a Only those sponsors who changed child care home recruitment efforts.

to obtain more Tier 1 homes. Sponsors with more than one-third Tier 2 homes and those with more than 200 homes were significantly more likely than others to report expanding their service offerings as a recruitment strategy (Exhibit 20).

Outreach to Providers Serving Low-income Families

The PRWORA changes emphasized the role of the CACFP in serving children from low-income families. The tiered reimbursement structure offers a greater incentive for participation by providers who are located in low-income areas or who are themselves low income. Special funding, called expansion payments, is available to support sponsors' outreach to low-income and rural areas, and FNS guidance has stressed the desirability of sponsors bringing such providers into the program.

Only 10 percent of sponsors, mainly those sponsoring relatively large numbers of homes, reported receiving USDA outreach and expansion funds. These funds can pay for administrative expenses associated with outreach and recruitment of homes in low-income or rural areas, and for the homes' licensing-related expenses.¹⁷ Many sponsors (41 percent) did not know whether such funds are available in their State. About the same number knew that such funds were available, but had not taken advantage of them. Among those who knew that outreach and expansion funds were available, the larger sponsors and those with a substantial share of Tier 2 homes were significantly more likely to report receiving funding (Exhibit 21).

More generally, fewer than half of sponsors (42 percent) report that they specifically target outreach to providers serving low-income families. Sponsors with medium or large numbers of homes reported conducting targeted outreach significantly more than sponsors with fewer than 30 homes (Exhibit 22).

Sponsors who target outreach to providers who are low income or located in low-income areas most commonly use referrals from existing providers and newsletters or flyers as their means of making themselves known to new providers (76 and 75 percent, respectively), as shown in Exhibit 23. About half make contacts with community agencies and organizations such as schools and churches, and about a third use the broadcast media or newspapers.

Most of these sponsors also offer some kind of special assistance to help enroll these providers. The vast majority (85 percent) provide extra help with the paperwork necessary to participate in the program. Two-fifths help providers become licensed, and a quarter offer small grants to assist providers in meeting the licensing requirements. A substantial number of sponsors also report using materials in the primary language of the provider (40 percent), and a few (14 percent) use low-literacy materials as a means of communicating more effectively with this group.

¹⁷ Sponsors are also allowed to use their regular CACFP administrative reimbursements for these purposes, so the absence of a grant does not mean that a sponsor has not conducted outreach or helped providers meet licensing expenses.

Exhibit 20
Changes Made in Recruiting New Homes Since January 1997 by Sponsor Characteristics

Percent of Sponsors Reporting Change:

	Changed Recruiting Method	Changed Recruitment Staff	Offered Providers Additional Services	Offered/ Expanded Assistance with Licensure	Recruited in Low-income Areas	Un-weighted Sample^a
Sponsoring Organization						
Private social service agency, nonprofit community agency or charitable organization	60.7% (6.4)	30.7% (5.8)	54.2% (6.6)	26.0% (5.3)	37.2% (6.3)	99
Public social service agency	69.4 (18.2)	70.4 (14.5)	37.2 (21.3)	16.5 (10.4)	19.5 (11.2)	10
Military base	100.0 (0.0)	26.7 (22.6)	13.5 (13.3)	0.0 (0.0)	0.0 (0.0)	5
Other (School district, college or university, Church/religious organization, etc.)	41.5 (20.1)	25.5 (16.9)	28.6 (18.4)	65.1 (19.9)	30.2 (19.1)	5
Percent of Providers Classified as Tier 1						
Less than 67%	53.7 (7.8)	28.2 (7.0)	47.9 (7.8)	40.0 (7.2)	39.1 (7.1)	60
67 to 99%	80.6 (5.5)	34.4 (9.3)	32.8 (9.2)	14.8 (5.7)	17.1 (6.1)	53
100%	65.1 (16.4)	38.5 (15.1)	57.5 (15.8)	10.1 (6.1)	39.4 (15.4)	14
Number of Homes Sponsored						
Fewer than 30	96.9 (3.3)	4.7 (5.0)	14.6 (12.1)	0.0 (0.0)	0.0 (0.0)	7
30 to 200	71.4 (8.0)	35.6 (9.1)	43.0 (9.7)	17.0 (5.5)	25.5 (7.3)	52
More than 200	56.4 (6.8)	38.0 (6.9)	48.8 (6.9)	38.0 (6.7)	40.6 (6.7)	69

Standard error in parentheses.

a Only those sponsors changing child care home recruitment efforts.

Exhibit 21
Receipt of USDA Outreach and Expansion Grants to Target Low-income Families

	Percent of Sponsors Reporting:		Unweighted Sample ^a
	Grant	No Grant	
Sponsoring Organization			
Private social service agency, nonprofit community agency or charitable organization	22.0% (4.3)	78.0% (4.3)	127
Public social service agency	17.2 (11.8)	82.8 (11.8)	11
Military base	37.0 (26.4)	63.0 (26.4)	5
Other (School district, college or university, Church/religious organization, etc.)	12.1 (8.5)	87.9 (8.5)	13
Percent of Providers Classified as Tier 1			
Less than 67%	21.9 (5.7)	78.1 (5.7)	80
67 to 99%	23.9 (6.8)	76.1 (6.8)	67
100%	3.3 (3.3)	96.7 (3.3)	17
Number of Homes Sponsored			
Fewer than 30	0.0 (0.0)	100.0 (0.0)	11
30 to 200	18.2 (6.2)	81.8 (6.2)	61
More than 200	32.1 (5.6)	67.9 (5.6)	96

Standard error in parentheses.

a Only sponsors who said outreach and expansion grants were available in their State.

Exhibit 22
Specifically Target Outreach to Providers Serving Low-income Families

	Percent of Sponsors Reporting:		Unweighted Sample
	Targeting	No Targeting	
Sponsoring Organization			
Private social service agency, nonprofit community agency or charitable organization	43.8% (5.3)	56.2% (5.3)	189
Public social service agency	43.9 (13.9)	56.1 (13.9)	51
Military base	13.6 (9.5)	86.4 (9.5)	16
Other (School district, college or university, Church/ religious organization, etc.)	30.2 (11.1)	69.8 (11.1)	21
Percent of Providers Classified as Tier 1			
Less than 67%	38.9 (6.6)	61.1 (6.6)	110
67 to 99%	49.4 (7.3)	50.6 (7.3)	110
100%	33.9 (8.6)	66.1 (8.6)	40
Number of Homes Sponsored			
Fewer than 30	9.7 (5.6)	90.3 (5.6)	29
30 to 200	53.8 (6.4)	46.2 (6.4)	114
More than 200	51.9 (5.6)	48.1 (5.6)	125

Standard error in parentheses.

Exhibit 23
Types of Outreach Conducted by Sponsor to Attract and Retain Providers Serving Low-income Families^a

	Percent of Sponsors Targeting Homes Serving Low-Income Families	Standard Error
Information approaches		
Asking for referrals from providers or other agencies involved in child care	76.4%	6.1
Using newsletters, posters, and flyers	75.3	4.6
Contacting or visiting community agencies, churches, and schools	54.3	6.4
Using media: TV, radio and/or newspapers	34.7	5.7
Using CACFP materials in the primary language of the provider	40.1	6.1
Using low-literacy CACFP materials	15.4	3.3
Assistance approaches		
Providing extra assistance with paperwork	85.4	4.1
Providing noncash assistance with licensing requirements	40.2	6.2
Providing small grants to assist with licensing requirements	24.3	5.1
Other methods	9.1	4.6
Sample Size	135	
<small>a Because sponsors may indicate more than one method, percentages sum to more than 100%.</small>		